



NECCOG

Northeastern Connecticut Council of Governments

Ashford - Brooklyn - Canterbury - Chaplin - Eastford - Hampton - Killingly - Plainfield -
Pomfret - Putnam - Scotland - Sterling - Thompson - Union - Voluntown - Woodstock

Results through Regionalism

Testimony Regarding

Raised Bill 380, An Act Concerning a Study of State Tax Policies

Raised Bill 381, An Act Concerning a Study of State Revenue Collections

Raised Bill 5406, An Act Concerning a Study of State Revenue Policies

Raised Bill 5407, An Act Concerning a Study of State Fiscal Policies

Made Before the

Finance, Revenue and Bonding Committee

March 15, 2022

Thank you for this opportunity to present testimony today. My name is John Filchak. I am the Executive Director for the Northeastern Connecticut Council of Governments (NECCOG). NECCOG is one of nine regional councils of governments and covers 16 member towns. I am here today to offer testimony regarding four bills proposing studies related to fiscal and revenue policies. Those bills are: Raised Bill 380, An Act Concerning a Study of State Tax Policies, Raised Bill 381, An Act Concerning a Study of State Revenue Collections, Raised Bill 5406, An Act Concerning a Study of State Revenue Policies and Raised Bill 5407, An Act Concerning a Study of State Fiscal Policies. We **support the intent** of these four bills and the pressing need for the information they propose to acquire and study.

- SB 380 - "Commissioner of Revenue Services shall **study the tax policies** of the state to identify legislative changes that may be made **to improve the business climate and economic opportunities** in the state."
- SB 381 - "The Commissioner of Revenue Services shall study the **Department of Revenue Services' collection processes to identify legislative and programmatic changes that may be made to improve efficiency and reduce administrative costs** of such collection processes."
- HB 5406 - "Secretary of the Office of Policy and Management, in consultation with the Commissioner of Revenue Services, shall conduct a study of the **revenue policies** of the state to identify legislative changes that can be made **to improve state business competitiveness with surrounding states**."
- The Commissioner of Revenue Services, in consultation with the Secretary of the Office of Policy and Management, the Treasurer and the Comptroller, shall **review the fiscal policies of the state to identify legislative changes that may be made to improve economic opportunities for businesses and residents** in the state.

Several studies have touched on the topics raised by these bills, including:

- **Creates Report** (2021) (<https://portal.ct.gov/-/media/Office-of-the-Governor/News/2021/20210331-CREATES-final-report.pdf>). The Creates Report, especially the detail found in the Final Report Materials (<https://portal.ct.gov/-/media/Office-of-the-Governor/News/2021/20210331-CREATES-final-report-accompanying-materials.pdf>)
- **Connecticut State Tax Panel Final Report** December 31, 2015 Final - https://www.cga.ct.gov/fin/tfs/20140929_State%20Tax%20Panel/CT%20State%20Tax%20Panel%20Final%20Report.pdf

- **Connecticut Commission On Fiscal Stability And Economic Growth** - Final Report - March 2018 - https://www.cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180301/Final%20Report%20with%20Appendix.pdf

The above studies share a common element in that they are snapshots in time and do not establish an ongoing research and analysis presence as the fiscal realities of the state change.

Recently, the Department of Revenue Services released Connecticut's second ever **Tax Incidence Study** (<https://portal.ct.gov/-/media/DRS/Tax-Incidence/Connecticut-Tax-Incidence-Study-TY2019.pdf>), which you were briefed on last week. This report provides a great deal of information, raises many questions and most importantly will be refined and repeated going forward - providing a very valuable resource. The Commissioner noted in his briefing that Minnesota is the "gold standard" for tax incidence studies (https://www.revenue.state.mn.us/sites/default/files/2021-03/2021%20Tax%20Incidence%20Study_0.pdf). Their approach is one that Connecticut should attempt to emulate and learn from as a means to garner information on our tax system and its impacts. Tax incidence studies provide policymakers with the information to understand comprehensively "... how proposed changes in their tax laws would affect the amount of taxes owed by different income groups in their populations or how total tax obligations are distributed across income groups at a particular point in time." Without this type of analysis states are limited to an understanding of "...determining how much proposed tax cuts will cost or tax increases will raise [and]... estimating the total amount of revenue that will be generated by their current tax structure."² A review of the Minnesota tax incidence reports will reveal much of the information sought in the four bills being heard today.

I also recently authored a report for 1,000 Friends of Connecticut's Tax Policy Collaborative (not affiliated with NECCOG) titled "**Connecticut property Taxes: Opportunity for Change**" (<https://www.taxpolicyct.org/opportunity>). The report cited above, while it focused on the property tax for structural reform, makes clear that we are a state out of balance in terms of revenues and their impacts. One of the key findings of this report was "a pressing need for an independent public policy center committed to timely, high-quality, and nonpartisan research and analysis on public policy issues critical to our state." This committee, the General Assembly and our state had such a resource with the Program Review and Investigations Committee (PRI). PRI terminated in January 2017 after serving the General Assembly since 1972. PRI was a unique non-partisan resource for the General Assembly. PRI conducted a detailed analysis of Connecticut's tax system in 2005 (https://www.cga.ct.gov/pri/archives/ctts/20060101FINAL_Full.pdf) that encompasses the same type of analysis sought by the four bill being heard today.

The information sought by these four bills is very important. Our suggestion is that the Committee, rather than doing "snapshot" reports, complement the work now going forward at DRS with the reestablishment of the Program Review and Investigations Committee. Such an addition will enable this committee and others the opportunity to have ongoing fiscal policy analysis - leading to better decisions.

Thank you for this opportunity to comment.

For more information, please contact: John Filchak, NECCOG Executive Director - John.filchak@neccog.org

¹ Developing the Capacity to Analyze the Distributional Impact of State and Local Taxes Issues and Options for States by Michael Mazerov, Center on Budget and Policy Priorities, January 2002, page 7 - https://www.researchgate.net/publication/228130036_Developing_the_Capacity_to_Analyze_the_Distributional_Impact_of_State_and_Local_Tax

² IBID, Page 7.